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DIRECTORATE OF
INTELLIGENCE

# *WEEKLY SUMMARY*

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Approved For Release 2007/03/06 : CIA-RDP79-00927A006600030001-8

Approved For Release 2007/03/06 : CIA-RDP79-00927A006600030001-8


# C O N T E N T S

(Information as of noon EDT, 15 August 1968)

## Far East


Page

THE WEEK IN PERSPECTIVE 1

VIETNAM 3

[redacted] 25X1
enemy forces will soon be ready to launch a new round of attacks on a broad front. A new offensive could be accompanied, or even preceded by, North Vietnamese political maneuvers designed to extract US concessions on the bombing issue.

LAO GOVERNMENT MAKES MODEST GAINS AGAINST COMMUNISTS 7
Government troops are moving cautiously to recover territory lost during the dry season to the Pathet Lao and the North Vietnamese.

DRIVE AGAINST RED GUARDS PRESSED IN SOME CHINESE PROVINCES 9
The variety of tactics and the uneven progress of the new movement to weaken the Red Guards suggest, however, that the central leadership is not yet in full agreement on how vigorously to proceed.

PHILIPPINE-MALAYSIAN TENSIONS EASE 11
Tensions over the Sabah dispute have eased, but the issue is still far from settled.


## Europe


THE WEEK IN PERSPECTIVE 13

USSR PROPOSES NEW COMMUNICATIONS SATELLITE SYSTEM 15
The Inter-Sputnik proposal appears to be an eleventh-hour bid to prevent the perpetuation of a global communications system in which the USSR cannot play a decisive role.




Approved For Release 2007/03/06 : CIA-RDP79-00927A006600030001-8

Approved For Release 2007/03/06 : CIA-RDP79-00927A006600030001-8


PRAGUE CONTINUES ON PATH TO REFORM 16
In his bilateral talks this week with Yugoslav, East German, and Rumanian leaders, Dubcek reaffirmed his regime's plans for domestic reform, but there is lingering suspicion and dissatisfaction within Czechoslovakia concerning some of his moves.

CZECHOSLOVAKIA'S ECONOMIC OUTLOOK AFTER BRATISLAVA 18
Czechoslovakia came out of the Cierna and Bratislava confrontations apparently without sacrificing its limited ability to trade more widely in order to retain internal political freedom. The same difficult economic problems remain, however.

USSR IMPROVES HARD CURRENCY BALANCE WITH THE WEST 19
Moscow is attempting to protect the sharp gain made last year in its hard currency payments position.

MOOD OF DISQUIET PREVAILS IN FRANCE 20
A mood of disquiet and uncertainty prevails in France as the government prepares for the possibility of renewed outbreaks of violence this fall.

EAST GERMAN POLICY CRISIS 21
Pankow is seeking to shift the emphasis away from the Bratislava meeting and the rebuff its views received there, by reviving the dialogue with West Germany. The preconditions for the meeting, however, are almost certain to be rejected by Bonn.

Middle East - Africa

THE WEEK IN PERSPECTIVE 23

ISRAELI RAIDS FURTHER WEAKEN HUSAYN'S POSITION 24
The Jordanian Government, faced with growing popular support for the terrorists because of Israel's counteractions, is also disturbed about reports that Moscow will indirectly aid Fatah.

NIGERIAN PEACE TALKS STALEMATED AS FIGHTING CONTINUES 25
With the talks bogged down over the basic question of Biafran sovereignty, both the federal and the secessionist military forces are attempting to build up strength for an all-out struggle for control of the Ibo heartland.



Approved For Release 2007/03/06 : CIA-RDP79-00927A006600030001-8

Approved For Release 2007/03/06 : CIA-RDP79-00927A006600030001-8


SOUTHERN YEMEN OUTBREAKS QUELLED 26
Last week's violence has been neutralized by the army.

25X6

KENYA'S POLITICAL POWER STRUGGLE INTENSIFIES 28
Following its heavy-handed, virtual destruction of the opposition, factions within the ruling party are maneuvering for power to name the ailing President's successor.

## Western Hemisphere

THE WEEK IN PERSPECTIVE 29

RUMOR MILL RESUMES IN ARGENTINA 30
The resignation of Ambassador to the US Alvaro Alsogaray has renewed rumors of a confrontation between army commander in chief General Julio Alsogaray and President Ongania over their differing views about the country's political future.

25X6

STUDENT AND LABOR AGITATION CONTINUE IN URUGUAY 32
The current wave of trouble began after the government raided the national university. The Communist Party is now helping to organize new demonstrations to mourn a student killed by police.



Approved For Release 2007/03/06 : CIA-RDP79-00927A006600030001-8

Approved For Release 2007/03/06 : CIA-RDP79-00927A006600030001-8


## FAR EAST

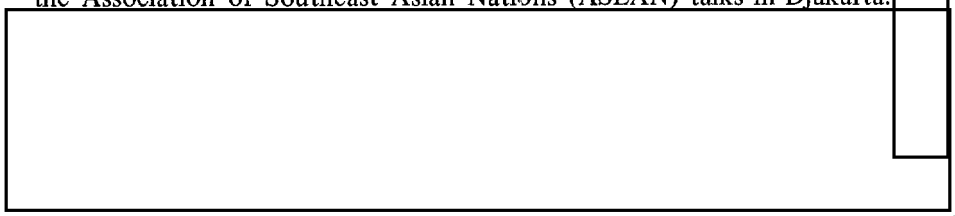
The Communists in South Vietnam now seem to have reached the point where a new round of major offensive activity could be begun momentarily.

The final decision on precise timing, however, almost certainly rests with Hanoi, which must weigh such factors as the requirements of any new over-all politico-military strategy it may have adopted, the impact of allied spoiling operations, and the need to achieve tactical surprise against allied forces which have long been bracing themselves for a new Communist offensive.

In Laos, government forces are making a small dent into Communist gains won during the dry season. Pathet Lao and North Vietnamese forces will probably be content generally to rest on their laurels unless the government begins to threaten seriously key new areas taken last spring.

More provincial governments in China are responding to recent directives to end factional violence by suppressing or dissolving Red Guard organizations. In three provinces these organizations have been disbanded outright. In Kwantung, the radical Red Guard organization continues to offer some resistance. The army-led campaign against it, however, was developing a momentum of its own which, in Canton at least, is creating an atmosphere of near terror. In many other provinces, authorities seem to lack either the willingness or the authorization to act firmly.

Uneasiness over future US policy in Southeast Asia became apparent at the Association of Southeast Asian Nations (ASEAN) talks in Djakarta. 25X1



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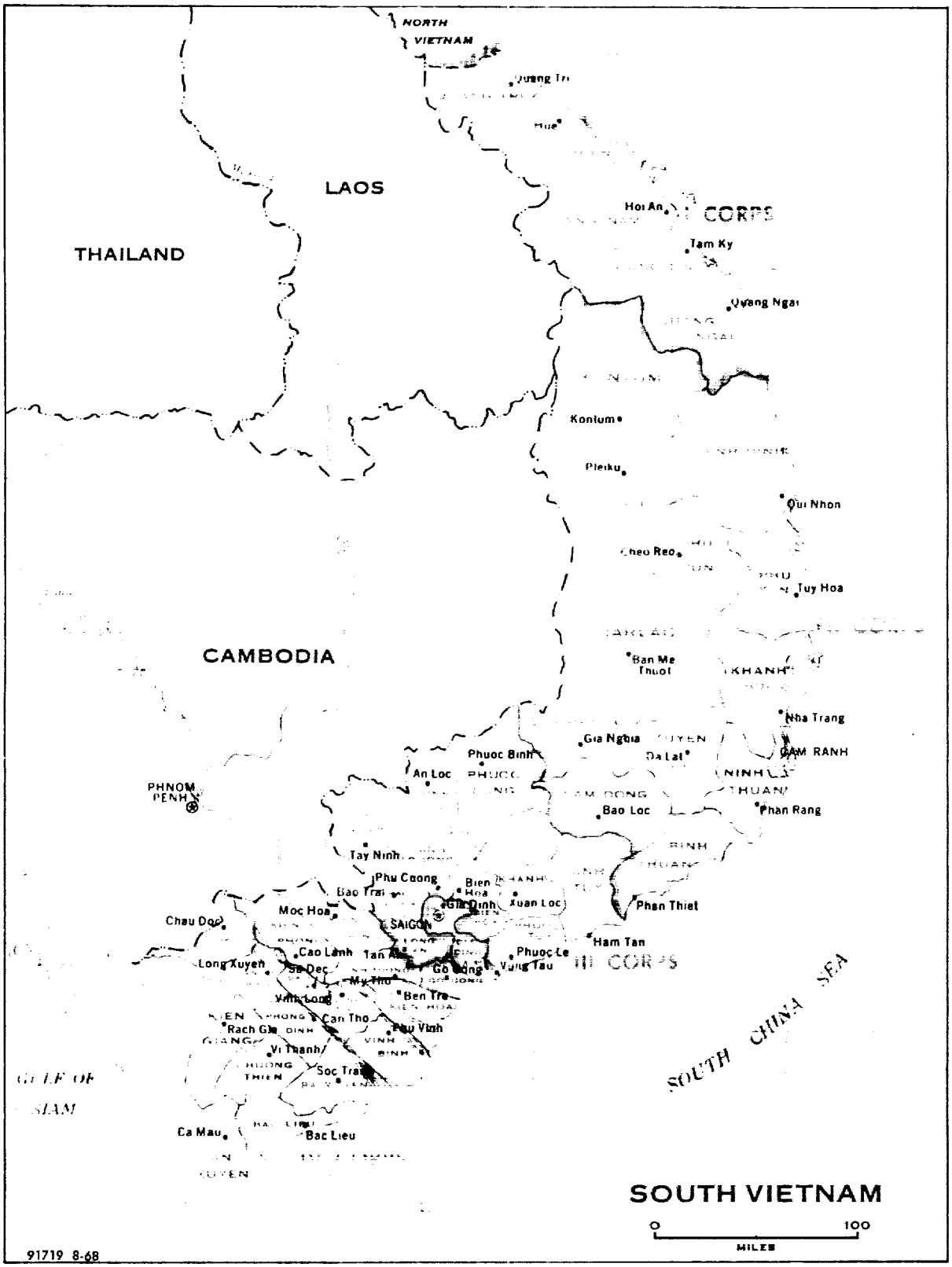



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# VIETNAM

Communist forces are completing preparations for a major new round of attacks, possibly on a country-wide basis.

25X1 [redacted] most of these preparations will be completed during the period from 15 to 20 August and that heavy attacks 25X1 could come at any time thereafter.

Communist main force units throughout South Vietnam appear to be focusing on certain key areas. Allied bases south of the Demilitarized Zone, key military and civilian centers along the coast of the northern provinces, and isolated towns and outposts in the highlands as well as in the provinces northwest of Saigon all are potential enemy targets. Additionally, a number of provincial capitals and district towns could be attacked by Communist local forces and guerrillas, as they were during the Tet offensive.

Saigon evidently remains a prime Communist target but there are some indications that any large-scale enemy ground effort against the capital proper will follow by five to ten days attacks on peripheral areas around Saigon and elsewhere in the country. Communist forces presently deployed in the vicinity of the capital have the capability, however, to launch sudden, small-scale ground thrusts against strategic targets within the city or massive rocket and mortar bombardments.

Allied forces throughout South Vietnam have long been preparing for a renewed Communist threat. Nearly one third of the 303 allied maneuver battalions in the country are positioned in the critical III Corps area. Many of these are charged with defense of the capital. New strategies, weapons, and electronic devices have been instituted in order to blunt any large-scale enemy attacks. It may be virtually impossible, however, to deny all access to the capital by small-unit infiltrators or terrorist squads.

The current low-level of enemy military activity continued this week throughout most of South Vietnam. In the III Corps area, however, military action picked up at midweek. A series of battles in Long An Province accounted for nearly 200 Communists killed. This marked the heaviest fighting in the past month in this area. An estimated battalion-sized attack and sporadic shellings of allied field positions also took place in the provinces north and west of Saigon.



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Approved For Release 2007/03/06 : CIA-RDP79-00927A006600030001-8


## North Vietnamese Strategy

North Vietnam probably has concluded a review of its strategy for both the war and the Paris talks. The evidence indicates that stepped-up Communist military activity in South Vietnam will occur soon, but it may be accompanied or even preceded by new North Vietnamese political maneuvers designed to bring about US concessions on the bombing issue.

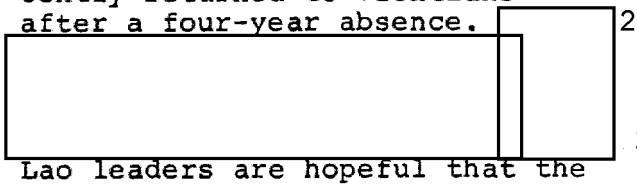
Politburo member and peace talk adviser Le Duc Tho returned to Paris on 13 August. Since early July he had been in Hanoi where he probably took part in politburo deliberations. En route to Paris, Tho stopped only briefly in Peking but spent two days in Moscow where he probably spelled out Hanoi's current tactics to the Soviets.

The Communists have kept several options open: they could prolong the military lull in South Vietnam a bit longer in the hope of increasing pressure for unilateral US concessions; or they could proceed with major military action and claim it was required because the US failed to respond to a period of Communist "restraint." Chief negotiator Xuan Thuy strongly implied this latter course during his presentation in Paris on 14 August. He said that the US and the world have clearly seen the "good will" of North Vietnam, and noted pointedly that the US has "thus had a good opportunity to find a way toward a peaceful solution."

The North Vietnamese had recently become more open in encouraging observers to regard the Communist military posture in recent weeks as evidence of "restraint" in response to US demands. On 7 August the spokesman for Hanoi's delegation in Paris told a newsman to "closely study the situation in South Vietnam during the last few months."

## Maneuvering on Laos

Hanoi has also recently undertaken some private fence-mending with Laos, presumably with a view toward an eventual Indochina settlement. North Vietnamese Ambassador Hien recently returned to Vientiane after a four-year absence. 25X1



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Lao leaders are hopeful that the visit may be a first step toward easing tensions between the two countries.

This solicitude for relations with Laos, however, is not apparent in anything the Communists are saying publicly. A Hanoi domestic radio commentary



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on 10 August, for instance, took a sharp slap at Souvanna's government, reiterating that North Vietnam recognizes only the coalition government set up by the 1962 agreements, which was "overthrown by the Americans" in April 1964. Souvanna's government is "totally illegal," it declared, and statements made by the prime minister are "absolutely valueless."

## Political Developments in South Vietnam

The Saigon government is continuing to crack down on various individuals and institutions it deems to be going overboard on the peace issue. It is balancing these strong measures, however, with some instances of leniency. These actions are apparently an attempt to keep a controlling hand on the pace and direction of any moves toward political settlement of the war, while at the same time undercutting accusations from the right that it lacks firmness toward Communism and from the left that it dispenses justice arbitrarily.

The latest steps in the crackdown include the closure of one newspaper and warnings to editors and publishers of others. A military tribunal has tried and sentenced in absentia a student leader at Saigon University. Notice has also been given that demonstrators in the Saigon - Gia Dinh area will be summarily tried. These strong measures do not appear to have deterred the students, but they have had the effect of imposing de facto censorship on the press, which has noticeably toned down its editorial comment on controversial subjects.

At the same time, the government has just acquitted another student leader who had been charged with actions which "weakened the people's anti-Communist spirit." The government has also given a promise that no reprisals will be taken against a student organization whose leaders have allegedly been proved to be Communists. Moreover, in the three months since Tran Van Huong's assumption of the prime ministership, the government has released a total of 2,728 suspects who had been detained for long periods without benefit of a court hearing.

The government may also be paving the way for the return of political exiles. The Lower House last week petitioned President Thieu to allow all these persons to come home. The petition may well have been instigated by the prime minister, who has reportedly indicated interest in such an "amnesty."

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Approved For Release 2007/03/06 : CIA-RDP79-00927A006600030001-8

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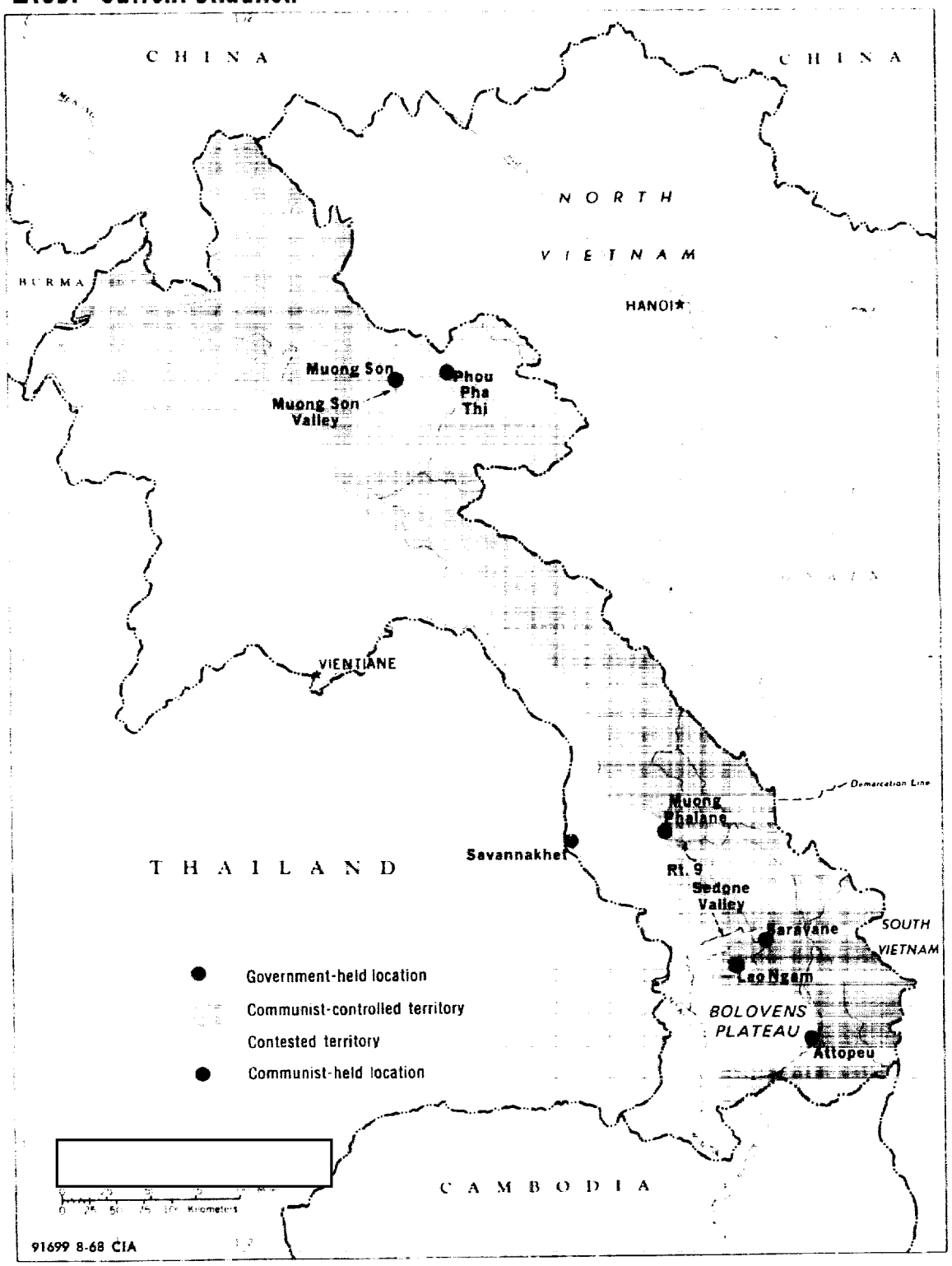
# LAOS: Current Situation

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Approved For Release 2007/03/06 : CIA-RDP79-00927A006600030001-8

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# LAO GOVERNMENT MAKES MODEST GAINS AGAINST COMMUNISTS

Lao Government troops are making modest inroads as they move cautiously to recover territory lost to the Communists during the dry season.

The month-old campaign to regain the Muong Son Valley in north Laos is nearing completion and is meeting only light enemy resistance. The government plans to establish an air navigational facility at Muong Son to replace the one lost at Phou Pha Thi last March. Vientiane also hopes that Muong Son can eventually be used as a base from which shattered government assets in the northeast can be rebuilt.

In the south, a multibattalion operation is making some progress clearing Communist troops from an area west of Savannakhet town. Indications of an enemy withdrawal farther east along Route 9 has raised hopes that Muong Phalane, which was lost last February, can be reoccupied in the next few weeks without a major effort.

The government is doing little, however, to strengthen its badly eroded position in the strategic Bolovens Plateau area. North Vietnamese and Pathet Lao troops are still entrenched in the Sedone Valley and the provincial capitals of Attopeu and Saravane are still virtually surrounded. In addition, government troops have abandoned Lao Ngam, which had been successfully defended against two heavy North Vietnamese attacks during the dry season.

For their part, the Communists have not demonstrated any inclination to take advantage of shaky government morale and unusually good fighting weather to press their offensive into government-held territory. They are probably not willing to expend much effort to defend certain fringe areas, but the continuing presence of a substantial number of North Vietnamese troops is a clear sign that they intend to hold on to most of the gains made during the dry season.

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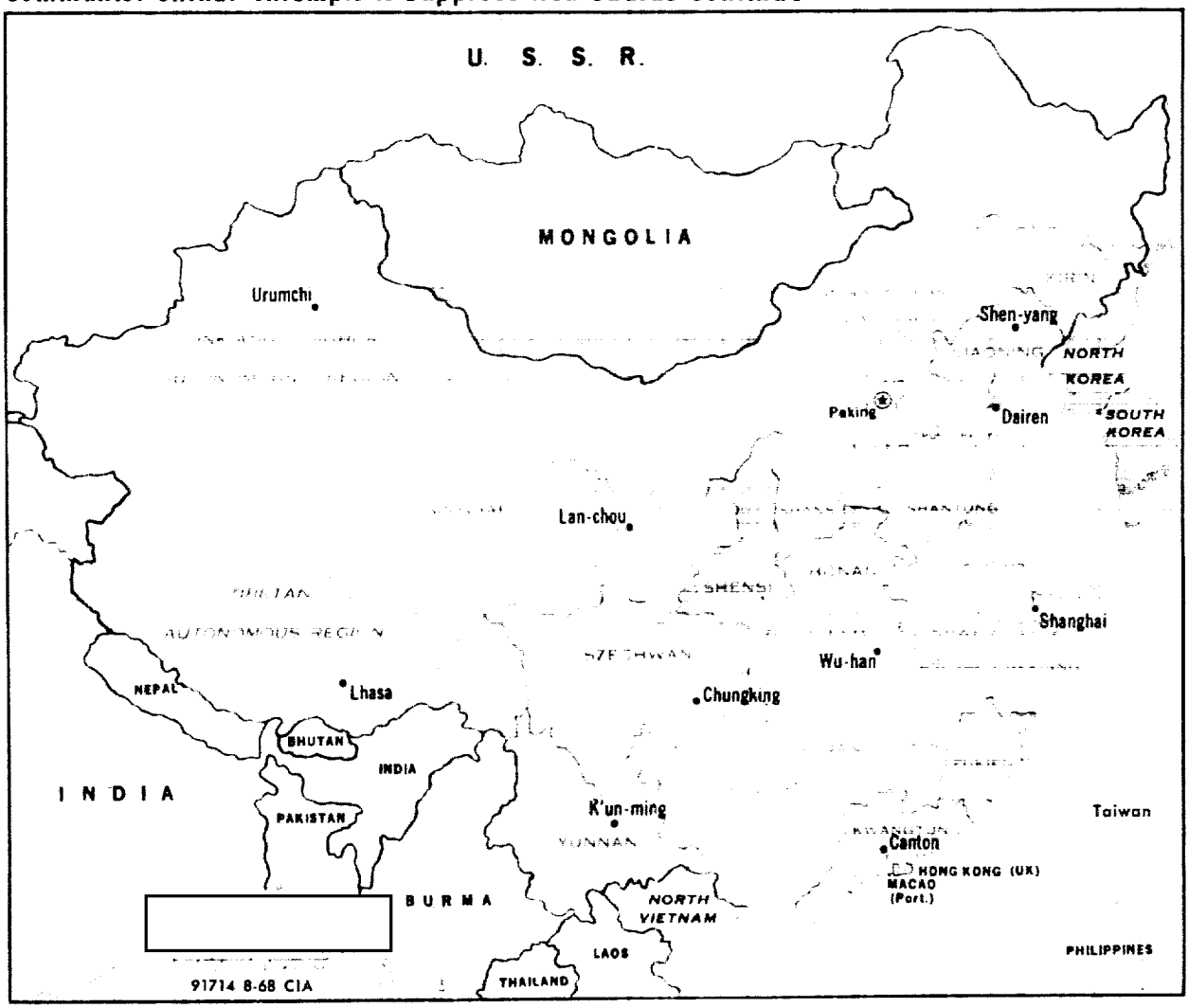
## Communist China: Attempts to Suppress Red Guards Continue

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Red Guards have been disbanded

Red Guards continue fighting


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# DRIVE AGAINST RED GUARDS PRESSED IN SOME CHINESE PROVINCES

More provincial governments are suppressing or dissolving Red Guard organizations in the wake of recent directives to end factional violence. Many of these groups are the same shock troops sent out to the provinces by the radical leaders in Peking early in the Cultural Revolution to attack and discredit local party and government officials. The variety of tactics used and the uneven progress of the new movement suggests, however, that the central leadership is not yet in full agreement on how vigorously to proceed.

In three provinces--Kirin, Liaoning, and Honan--Red Guard organizations have been disbanded outright. The official rationale given for this extreme action is simply that these organizations are no longer "suitable" in the current situation. The abrupt manner in which these once powerful factions are being dissolved suggests that local authorities in these provinces are in firm control and have unqualified backing from Peking.

In Kwangtung, however, the militant Red Flag Red Guards continue to retain an organizational identity and to resist, albeit feebly, the combined forces of the army, the local government authorities, and its arch rival, the establishment-oriented East Wind faction. According to posters [redacted] the Red Flags have repeatedly appealed to their protectors in Peking, including Mao's wife, for protection against army brutality. 25X1

Thus far these appeals have had no effect. The army's campaign has been developing momentum in recent days, creating an atmosphere of near terror in Canton. [redacted] Canton's jails are full and drumhead trials are being conducted daily with many persons--not just Red Flag partisans--indiscriminately executed. 25X1 25X1

Workers are in a quandary because if they fail to return to work they will be labeled class enemies. On the other hand, if they do return to their jobs they risk being arrested by roving bands of newly deputized vigilantes called "workers' provost teams" that are searching the factories for their quota of "counterrevolutionaries."

A more subtle tactic adopted in recent weeks in some cities is to downgrade the importance of student Red Guards by dispatching so-called "worker-peasant propaganda teams" to universities and colleges to impose discipline and



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order on students. Peking has given heavy propaganda play to Mao's gift of mangoes to the worker-peasant team stationed at Tsinghua University, which earlier in the Cultural Revolution served as a headquarters for a particularly powerful and militant network of Red Guards operating throughout the country. Renewed attempts are also being made to disperse older students by assigning those who should have graduated from high school or college after 1966 to government jobs or state farms under army control.

Despite efforts to suppress Red Guard activities in some provinces, however, authorities in many others seem unwilling, or have not yet been authorized, to act firmly. Armed factional fighting continues in Fukien Province, for example, with little interference from the army. Sporadic fighting is still reported from the provinces of Shensi, Yunnan, Szechwan and Tibet.

## Food Problems Compel Rise in Imports

Faced with expected crop shortfalls in China this year caused by poor weather and Cultural Revolution disruptions, the Chinese may be trying to reverse the decline in wheat imports that has occurred during the past 12 months. Peking has just sought urgent negotiations with Melbourne for wheat, probably to avoid a break in grain shipments when the present one-million-ton contract runs out later this year. The Chinese also reportedly plan to negotiate with the Canadians soon. Current Canadian deliveries are scheduled to be delivered in October. [redacted] 25X1

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# PHILIPPINE-MALAYSIAN TENSIONS EASE

Tensions over the Sabah dispute have eased, but the issue is still far from settled.

At a private meeting on 6 August in Djakarta, during the conference of the Association of Southeast Asian Nations, Malaysia's Deputy Prime Minister Razak suggested an indefinite "cooling-off period." Philippine Foreign Secretary Ramos agreed, and President Marcos reportedly has given his approval to the idea. Since Ramos' return to Manila, the Sabah issue has all but disappeared from the headlines of the Manila press.

The two countries envision a period of up to six months before new talks on Sabah would be attempted. The Malaysians want the Filipinos to take the initiative, leaving it to them to come up with a formula that would be politically acceptable at home. Malaysia insists, however, that steps be taken to settle the Sabah issue after a cooling-off period, saying it cannot accept the indefinite continuation of a foreign claim to part of its territory.

The Philippine Embassy staff in Kuala Lumpur, ordered home last month, is still awaiting final instructions. Marcos had amended the withdrawal notice by telling embassy personnel to remain until 15 August. Ramos has said he will urge Marcos to cancel the withdrawal order. A new arrangement for a monthly meeting in Malaysia of the standing committee of the Association of Southeast Asian Nations, presumably composed of ambassadors to Kuala Lumpur, may persuade Manila to keep its ambassador there.

It remains to be seen, however, whether domestic politics in Malaysia and the Philippines will permit an extended detente. Marcos, in particular, must cope with militant nationalists who wish to keep the issue alive. He faces re-election next year and cannot afford any appearance of not defending Philippine interests.

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## EUROPE

The respite from Soviet pressure won by the Czechoslovaks continued uneasily during the week. Both sides appeared to be taking stock, trying to assess the relative effectiveness of their policies.

The Soviets undoubtedly were irritated by the support for the Czechoslovaks expressed by Tito of Yugoslovia and Ceausescu of Rumania during their respective visits to Prague. For Dubcek, the practical value of the assistance they promised may not be immediately felt.

East German boss Ulbricht also conferred with Dubcek, but without receiving any apparent satisfaction.

There were indications that Prague has not been forced to sacrifice all freedom to trade with the West. The possibilities for such trade, however, are limited for a variety of reasons. West Germany, for example, wishes to expand economic relations with Prague, but is inhibited by the likelihood of unpleasant political repercussions. [redacted] 25X1



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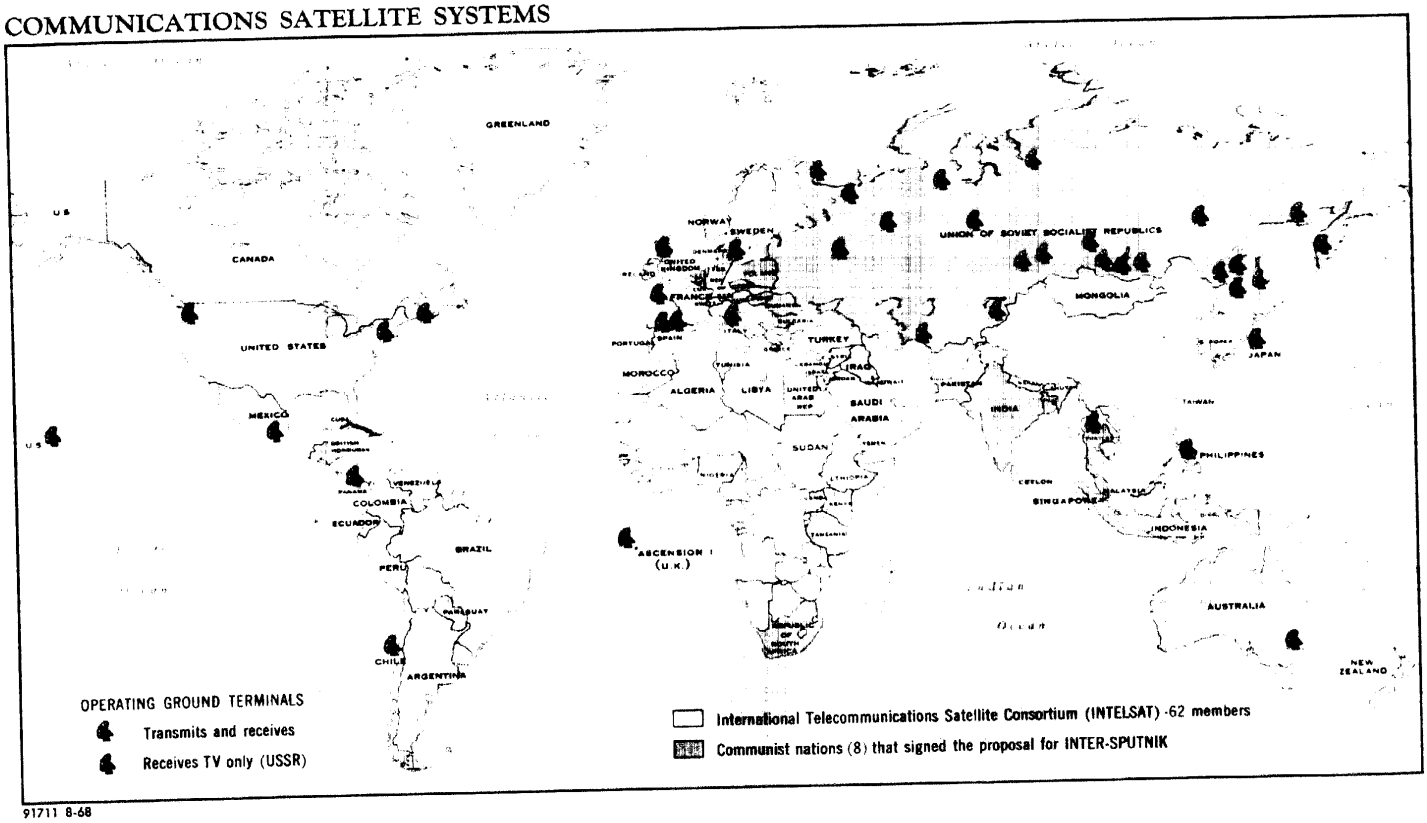
## COMMUNICATIONS SATELLITE SYSTEMS

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# USSR PROPOSES NEW COMMUNICATIONS SATELLITE SYSTEM

The Soviets have proposed the formation of a new international communications satellite organization, to be called Inter-Sputnik. Moscow probably realizes that most non-Communist nations will be reluctant to join an organization that ostensibly rivals the International Telecommunications Satellite Consortium (INTELSAT). For this reason, the proposal appears to be designed mainly to influence the upcoming renegotiation of the INTELSAT charter. It may also be a means by which Moscow can become directly involved in the negotiations.

INTELSAT now boasts 62 members, who are operating 18 ground terminals and working on some 30 more. Most of these nations are deeply committed both financially and politically to INTELSAT. On the other hand, INTELSAT's present voting system--based upon each member's share of international traffic--has caused deep resentment because of a stipulation that the US voting strength will never fall below 50.6 percent. For this reason the provision in the Soviet proposal that each member have an equal vote will be especially attractive to most INTELSAT members.

By the end of the year INTELSAT's 18-nation governing body will make recommendations for changes in the consortium's charter, which expires in December 1969. The Inter-Sputnik proposal therefore appears to be an eleventh-hour Soviet bid to prevent the perpetuation of a global communications satellite system in which the USSR cannot play a key role. Under INTELSAT's present ground rules the USSR, as a member, would receive only two percent of the votes.

That two Communist nations, Yugoslavia and Rumania, are on the verge of joining INTELSAT can only add to Moscow's frustration and increase its desire for swift action to alter INTELSAT's course.

The Inter-Sputnik proposal also may be, in effect, an opening statement of Moscow's terms for membership in INTELSAT. The US and other leading nations of INTELSAT have urged the Soviets to join, but Moscow has always ruled out this possibility primarily because of INTELSAT's voting setup. Short of full membership, the USSR and the seven other Communist nations that signed the proposal might hope to operate Inter-Sputnik as an independent regional system in INTELSAT's global network.

France and Japan both favor the creation of regional systems and probably would give strong support to the linkup of Inter-Sputnik with INTELSAT. A Soviet official announced last month an agreement to study the relay of television between Japan and the USSR via Molniya communications



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satellites. A similar Franco-Soviet agreement in 1965 resulted in a continuing program of experimental transmissions via Molnya between Moscow and Paris.

In the past, the French have proposed that INTELSAT's global network be divided into four regional systems managed separately by the US, the USSR, and two consortiums--one in Europe and the other in the Far East. There is general European interest in the concept of regional systems but uncertainty over the economics involved and fears of French domination. [redacted] 25X1

[redacted]

25X1

## PRAGUE CONTINUES ON PATH TO REFORM

In his bilateral talks this week with Yugoslav, East German, and Rumanian leaders, Dubcek bolstered Czechoslovakia's independent stand and reaffirmed his regime's plans for domestic reform. There is lingering suspicion and dissatisfaction within Czechoslovakia concerning some of Dubcek's moves as the party prepares for its 14th congress, which convenes on 9 September.

Yugoslav party chief Tito, who received a tumultuous reception during his visit to Prague, pledged expanded political and economic bilateral relations. He offered to help Prague check some of its most serious problems, such as labor supply and construction. Both Dubcek and National Assembly President Smrkovsky are expected to visit Belgrade soon, the latter in October.

In contrast, East German party boss Ulbricht's cool reception in Karlovy Vary on 12-13 August was matched by inconclusive talks with Dubcek that did little to improve bilateral relations.

Prague rolled out the red carpet for Rumania's Ceausescu, who arrived on 15 August to sign a bilateral friendship treaty. Like Tito, Ceausescu offered Prague expanded relations in a show of support for Dubcek's independent stand against Moscow.

During these bilateral consultations, Prague advanced its reform plans by publishing the drafts of new party statutes to be submitted to the congress for approval. Some of the statutes' provisions are certain to irritate those who opposed the Czechoslovak reformers at Bratislava. One proposal provides for a federal system of two Communist parties, Bohemian and Slovak, under a skeletal central party organization. This change will presumably give the Slovaks a greater voice in party affairs and reduces the powers of the central party apparatus.

Another proposal recommends that minorities be permitted to express and solicit support for their views even after being



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outvoted by the majority, a clear contravention of the principle of "democratic centralism." Other provisions would grant additional freedom to minorities, give a greater role to organized non-Communist groups, permit individuals to enter and leave the party voluntarily, and provide that all party bodies be elected by secret ballot.

There is some dissension among Czechoslovak liberals over the slow pace of the reform program, as well as suspicion over the ultimate results of Dubcek's negotiations with the Soviets. A controversy, for example, has developed because of the abolition of the party post held by Lt. Gen. Prchlik, a Warsaw Pact critic whose removal was viewed by liberal party officials as a concession to Moscow. Recalcitrant intellectuals have also attacked Moscow's psychological warfare against Czechoslovakia, and have opposed the regime's pleas for self-restraint by public media on this issue.

Moscow, for its part, has maintained its "wait-and-see" attitude toward events in Prague. Most top Soviet leaders apparently began their summer vacations last week; only two full members of the politburo have been noted in public since 6 August.

The Soviet press continues to warn the Czechoslovaks to heed Moscow's interpretation of the Bratislava agreement, but its tenor remains restrained. The only exception to the suspension of polemics between Czechoslovak and Soviet media was an attack by Literary Gazette in response to a "provocative" article in the Czechoslovak journal, Literarni Listy, last week. It implicitly demanded that steps be taken to curb the journal and served to warn other Czechoslovak press organs against similar "anti-Soviet" commentary.

The USSR kept up its military pressure on Czechoslovakia with an announcement on 10 August of a joint communications exercise involving command and support elements of the Soviet, Polish, and East German armies. The announcement follows the three-week-long Rear Services exercise held in areas adjacent to Czechoslovakia.

On 14 August, Warsaw radio reported the presence in Poland of the new chief of staff of the Warsaw Pact, Soviet General Shtemenko. The exercise was Moscow's latest pretext for keeping Soviet troops in areas bordering Czechoslovakia.

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# CZECHOSLOVAKIA'S ECONOMIC OUTLOOK AFTER BRATISLAVA

Czechoslovakia came out of the Cierna and Bratislava confrontations apparently without sacrificing its limited ability to trade more widely in order to retain internal political freedom. The difficult economic problems which existed before the political crisis still remain.

The Czechs remain uncertain about how much Soviet economic support they can count on. They can probably take for granted that Soviet deliveries of essential raw materials--crude oil, ores and metals, and wheat for human consumption--will continue. The USSR, however, has been pressing for higher prices for the raw materials it delivers and lower prices on the machinery it receives in payment. The Soviet Union also wants more consumer goods which not only are in short supply in Czechoslovakia but also are salable in the West.

Prague's main economic need is money to develop efficient export industries. A $550-million hard currency loan has been requested from the USSR to purchase Western machinery. The Soviets are not likely to agree to more than a small fraction of the request, which represents a substantial share of Soviet reserves. If the full loan were granted, Czechoslovakia could reorient its trade, in part, away from the Communist world, thus reducing Moscow's economic leverage on Prague.

This year Czechoslovakia and the other Eastern European Communist nations, partially in response to the Bratislava agreements, will study what can be worked out under CEMA auspices to improve manufacturing specialization and trade among this group of countries. The prospects are not bright, but it is part of the necessary review of possibilities within the "socialist camp" to provide Prague with the justification for turning to the West.

The Czechoslovaks have become more cautious in their approaches to the West, primarily to avoid direct political involvement, particularly with West Germany. Last spring they sounded out Western European sources on the availability of credits. Initially, only small deals may be made, including joint ventures with Yugoslavia. Serious consideration is also being given, however, to establishing a plant in Czechoslovakia to build Japanese trucks.

A further consideration in limiting Western credits now was Czech economic leader Ota Sik's admission that his country would not be able to make good use of large credits until economic plans had been firmed up. This will be done in the fall of 1968 at the earliest. At best, it will take many years to erase the impact of past economic mistakes and bring about a significant level of economic improvement. [redacted] 25X1



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# USSR IMPROVES HARD CURRENCY BALANCE WITH THE WEST

Moscow is attempting to protect the sharp gain made last year in its hard currency payments position. Hard currency payments and receipts are expected to be roughly in balance this year. No Soviet gold sales are expected, and mining operations may add another $150 million to the reserves, bringing them to a level of about $1.4 billion.

Last year's $100-million hard currency payments surplus--the first in a decade--was largely the result of a drop in imports, the first such decline in a number of years, and a rise of more than $200 million in exports. The decline in imports of wheat from Canada and Argentina contributed to the improvement.

In recent foreign trade transactions, the Soviets have sought to protect their payments position by resorting to barter arrangements. On 1 June the USSR gave a $110-million order to Austria for large-diameter gas pipe to be paid for over seven years by shipments of Soviet natural gas. On 29 July, Moscow and Tokyo signed the first major agreement on joint development of Siberian resources. Japan is to supply $133 million worth of bulldozers and other timber processing equipment against a 20-percent down payment. The remaining $106 million is to be repaid by the USSR in exports of timber over a five-year period. Japan will also supply $33 million in consumer goods to the Siberian forestry development sites on favorable short-term credit. The visit of the Soviet foreign trade minister to Japan this week to publicize this deal suggests that Moscow hopes for additional deals with Japan and other Western nations on concessional terms.

Soviet imports from hard-currency countries may increase this year. The USSR has already purchased $110 million worth of wheat--almost as much as was bought during all of 1967. The USSR is still obligated to import $250 million to $300 million in Canadian wheat in 1968-69. Soviet trade with Western Europe indicates that imports of machinery and equipment from Western Europe will probably rise well above the 1967 level.

On the export side, it is doubtful whether the USSR can sustain the 13-percent growth rate of the past two years. The rate of growth in exports of oil--the major Soviet foreign exchange earner--to Western Europe will be somewhat less than last year, and some sluggishness is also evident in such traditional exports as lumber, cotton, and nonferrous metals.

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# MOOD OF DISQUIET PREVAILS IN FRANCE

A mood of disquiet and uncertainty prevails in France as the government prepares for the possibility of renewed outbreaks of violence this fall.

The student-labor crisis in May revealed a deep gulf between those who demand change and those who demand order. Even within the ranks of the Gaullists, whose massive parliamentary victory in late June was clearly a mandate for order, divisions are appearing between the left-wing minority pushing for reform and conservative advocates of the status quo.

Prospects for order on the student front are not bright, despite the government's announcement of intended reform measures which go a long way toward meeting student demands. Pressures for faster change, and disagreement over the course of such change, will provide ample issues for demonstrations and counterdemonstrations. Student leaders of the National Union of French Students are under pressure from their followers to reoccupy the universities when classes resume in the fall.

Minister of the Interior Marcellin fears that "new left" revolutionary groups will generate renewed violence among students. Plans have been announced to expand the National Gendarmerie and the Republican Security Companies, both of which were used to restore order during the May crisis.

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[redacted]

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[redacted] The government clearly intends to use all force necessary from the outset to suppress any future disturbances.

25X1

The government's recent "purge" of over 100 radio-TV journalists who participated in the May strike has been seen as a sign that the government is reaching for authoritarian solutions to its problems. Many doubt the government's pledge to ensure objectivity of information on the state-controlled radio-TV service. Journalists affected by the purge have already announced that they will fight for reinstatement.

The minister of agriculture is concerned that increased production costs for farmers could lead to a renewal of the violent demonstrations which erupted in the fall of 1967.

The prospects on the labor front are somewhat brighter. Although Minister of Economy and Finance Ortoli is worried about inflation and unemployment, now running at a very high level by French standards, most economic indicators are positive. Significant discontent among the workers, if it comes, would thus appear unlikely until next spring or later.

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# EAST GERMAN POLICY CRISIS

East German dictator Ulbricht is engaged in a round of diplomatic and political maneuvers designed to indicate compliance with the decisions of the Bratislava conference.

The regime's privately hostile view of the Czechoslovak situation, however, has by no means changed, and Ulbricht's recent meeting with Dubcek at Karlovy Vary probably accomplished very little toward improving relations. The East Germans may have hoped that this meeting might nevertheless be well received at home by elements which continue to favor the Czechoslovak reforms.

At the same time, Pankow is seeking to shift the emphasis away from the Bratislava meeting and the rebuff its views received there by reviving the dialogue with Bonn. Ulbricht on 9 August thus called upon his parliament to appoint a state secretary to handle negotiations with West Germany. Ulbricht, however, made any exchange of representatives with the West Germans contingent upon preconditions that are almost certain to be rejected by Bonn.

At the same time the East Germans are perfectly capable of taking advantage of opportunities to harass and embarrass the West Germans over the status of Berlin. Various activities already scheduled to take place in the Allied portion of the city could provide East Germany with any needed pretexts. Homeland Day and German Day will be celebrated later this month, and a Christian Democrat party convention, a Bonn parliamentary committee work session, and a police sponsored international automobile rally are to be held in West Berlin this fall. The East Germans are sure to protest vigorously such "provocations," and the Soviets have indicated that such events, dramatizing Bonn's ties with the city, invite Communist harassment.

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## MIDDLE EAST - AFRICA

Terrorism and behind-the-scenes political maneuvering continued to be the theme for the week.

Greek Prime Minister Papadopoulos narrowly escaped injury in an assassination attempt this week. The government originally accused right-wing elements but has since determined that the man arrested is a former member of Andreas Papandreou's leftist Center Union Youth Organization. The authorities now plan extensive arrests of suspected leftists.

Terrorist intrusions and military firefights across the Israeli-Jordanian cease-fire line have continued daily, but no major Israeli assaults have occurred since the 4 August air attack on the Jordanian town of Salt. 25X6

Ethiopian Emperor Haile Salassie is attempting a new initiative to try to break the deadlock in the Nigerian peace negotiations in Addis Ababa. He has called for an urgent meeting there next week of the six heads of state of the OAU Consultative Committee on Nigeria and the Nigerian principals. The Emperor is strenuously trying to get the war halted, and is fearful the dispute will be a disruptive factor at the OAU summit in Algiers next month.

Political maneuvering continues in Congo (Brazzaville) after the unsuccessful coup attempt earlier this month by some military elements. President Massamba-Debat remains in office, but at the sufferance of the army, which is increasingly prominent in the delicate balance of power. 25X1

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# ISRAELI RAIDS FURTHER WEAKEN HUSAYN'S POSITION

The Israeli air attack against Jordan on 4 August apparently has further weakened King Husayn's ability to control Palestinian terrorists and presents a real threat to his own position.

The Israeli action was designed to hit terrorist bases in Jordan, but a large number of Jordanian civilians were also killed or wounded. Such actions have in the past increased general sympathy among Jordanians for the terrorists.

The Jordanian Government is concerned about the public's increasing awareness that the army is unable to counter Israeli attacks. Consequently, Amman is trying to avoid provoking Israeli forces.

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[redacted]

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The continuing terrorist activity, however, seems more likely to increase than diminish and provides the Israelis with what they obviously consider justification for heavy-handed blows against Jordan.

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These moves, however, will do little to blunt the populace's enthusiasm for the terrorists, who are now generally considered to be the only ones doing anything to oppose Israeli "aggression."

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# NIGERIAN PEACE TALKS STALEMATED AS FIGHTING CONTINUES

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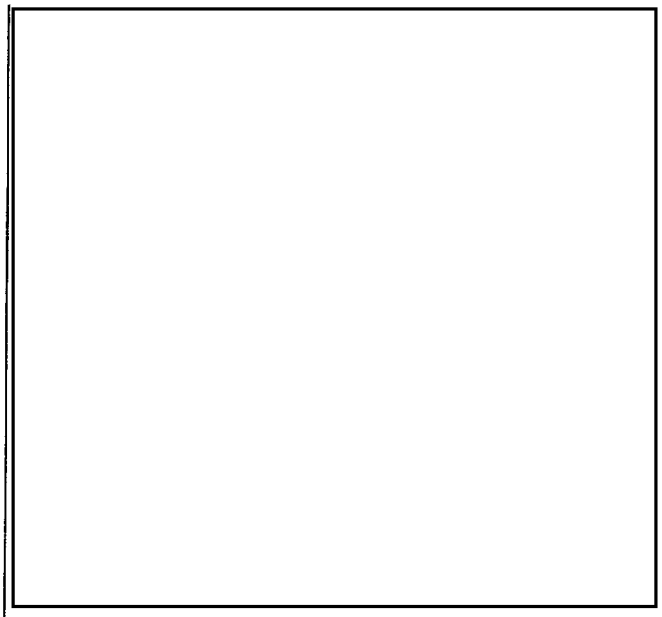
Nigerian peace talks in Addis Ababa have reached an impasse and there is no sign that either the federal government or the secessionist Biafrans are prepared to make significant concessions in their respective positions. Meanwhile, steady fighting is continuing in Biafra, with both sides seeking to bolster their military strength in anticipation of a major federal push into the Ibo heartland.

Both the Biafran and the federal negotiating teams have presented elaborate proposals for settling the 13-month-old civil war. Although each side has employed some conciliatory language, the adversaries remain far apart on the basic issue of Biafran sovereignty. Neither side wishes to accept the onus for breaking off the talks, however, and the Biafrans in particular would like to stretch them out at least until the Organization of African Unity summit meeting scheduled for next month in Algeria.

In a new effort to break the impasse, Ethiopian Emperor Haile Selassie has called the members of the Organization of African Unity Consultative Committee, who are sponsoring the talks, to meet with him in Addis Ababa on 19 August. Meanwhile, he is trying to shift the discussion from the deadlocked political issues to the problem of getting relief supplies to Biafra's starving refugees.



The Biafran's will to resist both in the field and at Addis Ababa has been bolstered recently by new indications of external support. On 31 July, the French announced their support for "Biafra's right to self-determination."

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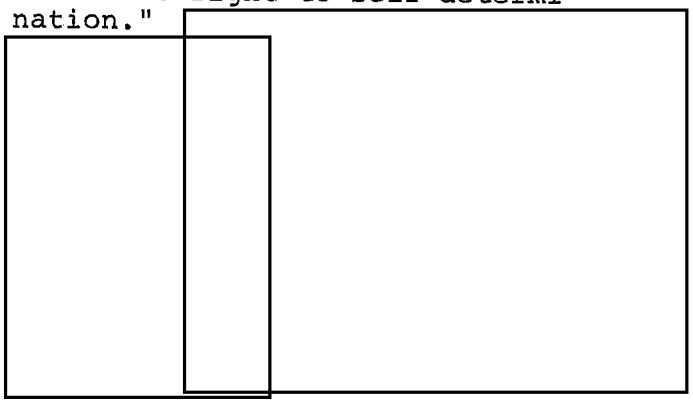

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# SOUTHERN YEMEN OUTBREAKS QUELLED

The areas which last week were in rebellion against the National Liberation Front government have now been neutralized by the army.

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The most important areas of tribal rebellion in Baelhan, Aulaqi, and Radfan now appear to be quiet after reinforced army units fought off tribal attacks last week. The government claims that the rebels, who included recently dismissed army officers and mutinied army units, suffered heavy losses in both men and equipment, including artillery and mortars. Minor incidents of road mining and ambushes have recently been reported in the Subayhi area in the extreme west and on the Wahidi-Hadhramaut border in the east, however.

The government continues to lay the blame at the feet of the "Saudi-imperialist conspiracy," despite earlier disclaimers by officials that the government did not really believe that the US was involved. Speeches mention CIA agents and the government press rants about "stooges blinded by CIA gold." The claims to leadership of the dissidence by outlawed groups outside the country appear to have been an attempt to capitalize on the initial successes of the tribal rebels.

The outbreaks appear to have been impromptu,

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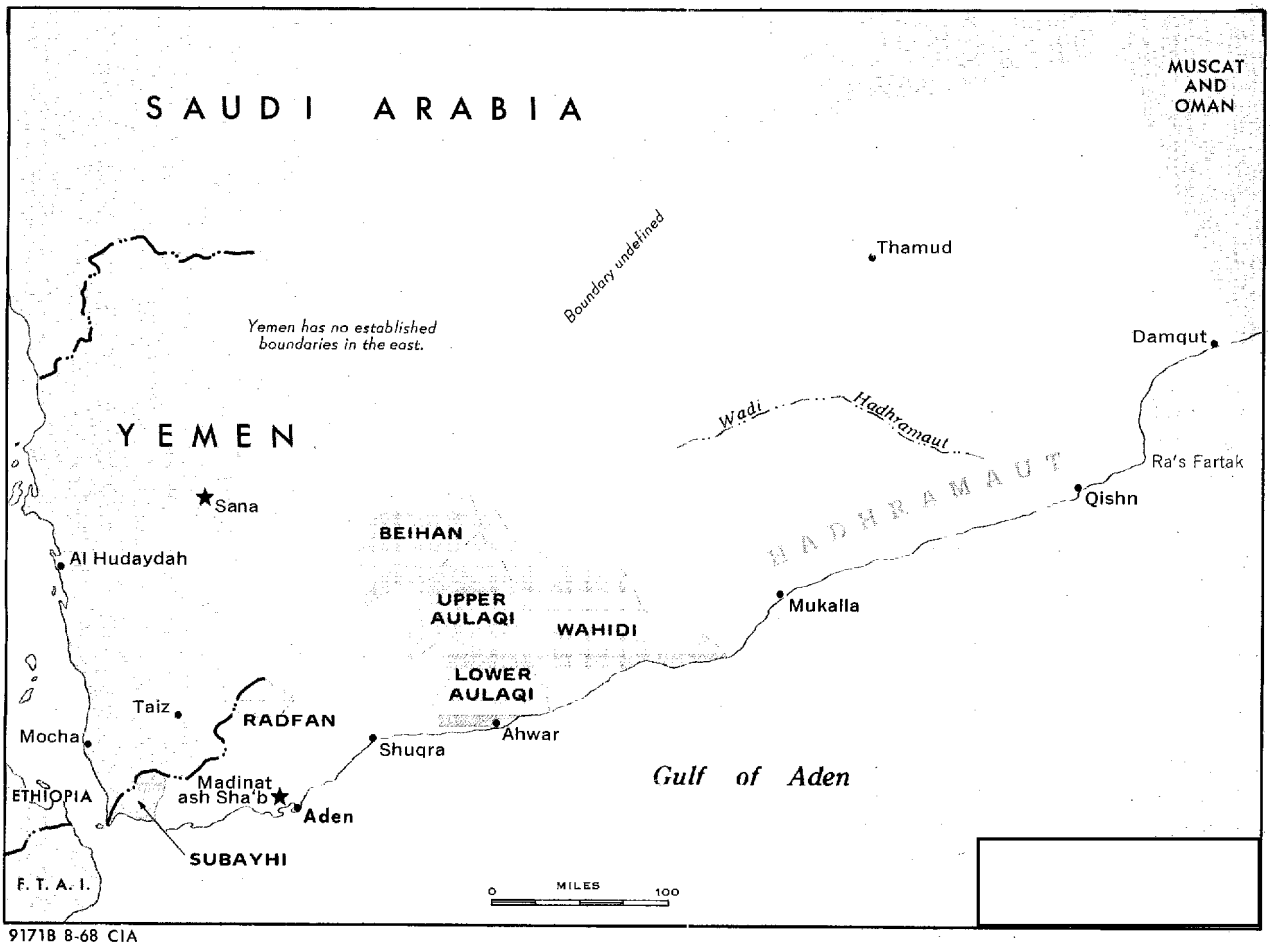
# Dissident Areas in Southern Yemen

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# KENYA'S POLITICAL POWER STRUGGLE INTENSIFIES

President Kenyatta's failing health and the prospect of a general election by next spring have sharpened the power struggle within the ruling Kenya African National Union (KANU). Kenyatta's fellow Kikuyu ministers are determined to maintain political control by any means.

25X6
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[redacted] Should he die, last month's constitutional amendment provides that Vice President arap Moi would replace him for 90 days while a successor is chosen by direct popular vote. A new requirement that all candidates for election must be backed by a registered party eliminates the potential threat of an independent candidate and virtually ensures the election of the KANU nominee.

The power struggle now has shifted from the National Assembly, which formerly would have elected the successor, to KANU, a coalition of tribal groups held together by the charismatic Kenyatta. Party factions now are polarizing around the conservative Kikuyu leaders, who are backing Moi, and around those who fear Kikuyu domination and support KANU's secretary general Tom Mboya, the ambitious and able economics minister, a Luo.

The fight to control the party has centered at the branch level where the two opposing factions have been hotly contesting the KANU nominations for seats on local councils in the country's first nationwide elections since independence. The press has featured the factional feuds, strong-arm tactics, and even brawls within the party branches.

Meanwhile, the opposition party, Oginga Odinga's Communist-financed Kenya Peoples Union (KPU), has had its own troubles in the face of blatant government harassment. Although KPU had little chance of winning many contests outside of Odinga's home province, Kenyatta apparently was worried by dissension within KANU and exaggerated reports of bulging KPU coffers. He chose not to risk even a slight show of popular protest against his government. As nomination deadlines passed, the pattern of a general "unopposed" KANU victory emerged. Over 85 percent of KPU candidates were disqualified with obvious collusion between civil servants and KANU officials. By such tactics KANU took over the city council in Odinga's home town, the KPU base. Last week in protest, Odinga withdrew his remaining candidates, eliminating any need for elections.

Such heavy-handed and unnecessary repression of the legal opposition and the resulting "election" of all KANU nominees has effectively disenfranchised a large part of the electorate and will only add to popular discontent and growing distrust of the Kikuyu establishment. In the short run it may backfire to Mboya's advantage within KANU. It indicates that the Kikuyu are not above extralegal means to preserve their position, and over the long term Moi remains most likely to succeed. [redacted]

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## WESTERN HEMISPHERE

Pope Paul VI is expected to visit Colombia from 22 to 24 August to attend the 39th International Eucharistic Congress and to inaugurate the second session of the Latin American Bishops' Conference.

The visit has been criticized by some radical clergymen who believe that the money for the trip could be better spent on social action projects. A group of Chilean priests and nuns occupied Santiago's principal Catholic cathedral briefly last Sunday to dramatize the opposition to the Congress and the Pope's visit.

Bolivian President Barrientos has stayed another of his patented "purges" of untrustworthy individuals. On 12 August the armed forces high command resigned en masse. All resignations were refused except those of Generals Torres and Vasquez. The latter has figured prominently in recent coup rumors. The resignation scheme apparently had the support of General Ovando, indicating that he still considers it in his best interest to back Barrientos.

Municipal elections in rural Guatemala on 11 August gave the ruling Revolutionary Party 67 percent of the total vote. The strong mandate for the Mendez administration and the lack of incidents during the election suggest general satisfaction with the government's performance and its efforts to achieve peace and stability.

Recent acts of terrorism in Haiti have been attributed by President Duvalier to the Communist Party of Popular Unity. On 5 August an armed band attacked a military outpost, killing and wounding several militiamen. In mid-July, terrorists murdered a member of the secret police who had been covering Communist activities. These incidents are the first indications of late that the Communists are linked to violence.

[redacted] 25X1

Cuba's minister of sugar industries has been replaced. His ouster from one of the key posts in the government reflects Castro's disappointment with this year's sugar crop of slightly more than five million tons. This is a million tons below last year's figure and represents a severe setback in the plan to produce 10 million tons in 1970. [redacted] 25X1



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# RUMOR MILL RESUMES IN ARGENTINA

The rumor mill has resumed operation in Buenos Aires with the resignation of Argentina's ambassador to the US, Alvaro Alsogaray. Alsogaray reportedly was asked to resign by President Ongania after publishing a book on the political future of Argentina--a subject Ongania does not want discussed by his administration at present.

The rumors center around the long expected confrontation between Ongania and army commander in chief General Julio Alsogaray, Alvaro's brother. Many see the resignation of the ambassador as the beginning of the struggle between the President and the general. One report says, however, that General Alsogaray is willing to accept retirement this year, along with the other two military service chiefs. All three will have completed at least the normal two-year tour of duty in their posts.

The Alsogaray brothers are leaders of the so-called "liberal" faction in the government. The opposing group--the "nationalists"--have been urging President Ongania to adopt policies that would shift the present government toward the fascist-style corporate state now existing in Spain. The liberals want Ongania to continue the present course, which encourages foreign investment in Argentina but has postponed any return to normal political activity in the country.

If Alsogaray retires without a struggle, it would indicate that he lacks military backing for a confrontation with the President, or that he is convinced that Ongania will continue to steer away from the "nationalist" philosophy. It seems likely that Alsogaray's replacement--probably General Alejandro Lanusse who commands an army corps in Cordoba--will be equally positive in presenting the military viewpoint on government policy.

Ongania may also make changes in his cabinet to balance the retirement of the military commanders. The likely victim of a shift is Interior Minister Borda, who has been one of the most outspoken of the "nationalist" faction.

Ongania has so far managed to maintain a centrist position between the opposing factions in the government, and it seems likely that he will continue this policy because it has prevented any significant threats to his rule. [redacted] 25X1

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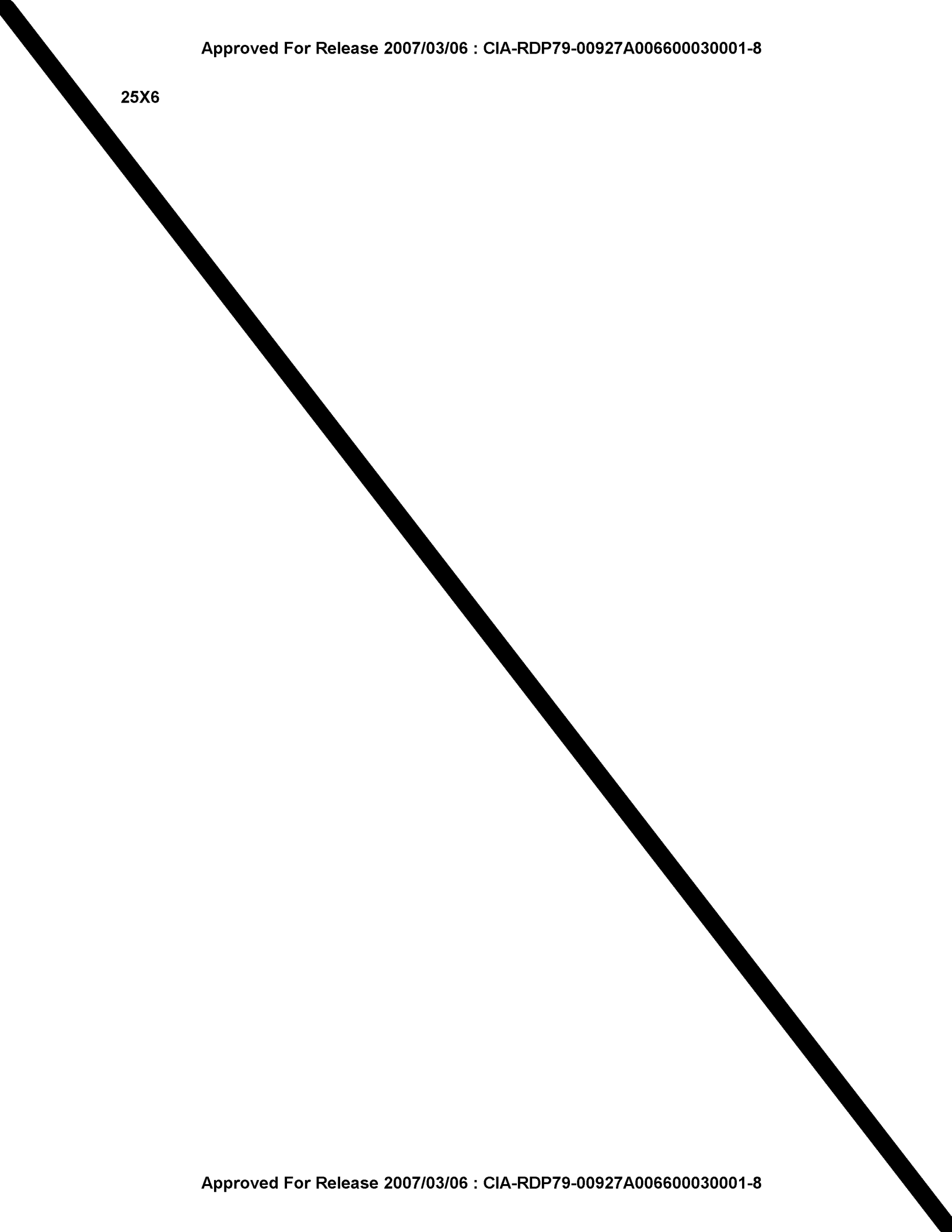

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# STUDENT AND LABOR AGITATION CONTINUE IN URUGUAY

Student demonstrations and strikes accompanied by violence occurred throughout the week. A youth shot by police on Monday died on 14 August, and the Communist Party is helping to organize new antigovernment demonstrations to mourn the "student martyr." The security forces are efficient, but they are tired after long hours of duty and will be hard pressed to control widespread disorders.

The current wave of trouble began shortly after the government raided the national university on 9 August. For several months President Pacheco had been waiting for the opportunity to clamp down on student agitation and search the campus for arms and subversive literature. The kidnaping of a high government official by terrorists gave him an excuse to enter the university on the pretext of searching for clues.

The conservative Communist Party of Uruguay, meanwhile, has been gradually shifting toward a more activist role in order to halt defections by its youthful members to more revolutionary organizations. Party leaders were finally forced to join the student band wagon and to endorse open participation in violent demonstrations despite fears that an activist policy would invite a government crackdown and jeopardize the party's prized legal status. The party still hopes to exert some measure of control and prevent violence from getting out of hand, but its capabilities are limited.

President Pacheco is taking a hard line toward the rioters and strikers, but chronic discontent resulting from poor economic conditions makes more disturbances likely. He has sent a bill to congress limiting the right to strike and has requested senate approval to dismiss the university's leftist rector and his entire council. If President Pacheco fails to obtain the kind of legislation he believes necessary, he might attempt to dissolve congress and rule by decree.

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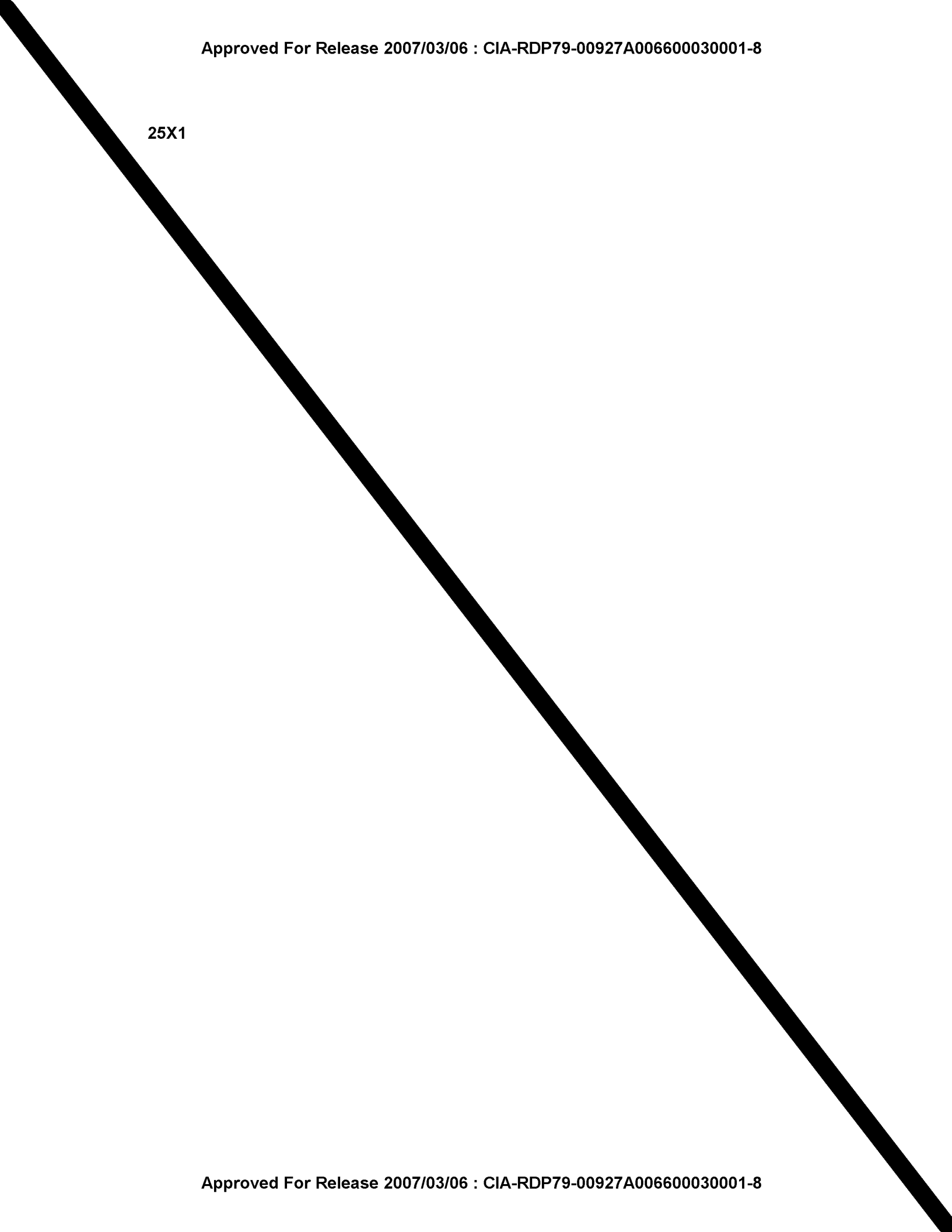

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